

Huron Consulting Group Inc.

Form 10-K

February 21, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-50976

HURON CONSULTING GROUP INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

01-0666114
(I.R.S. Employer
Identification Number)

550 West Van Buren Street

Chicago, Illinois 60607

(Address of principal executive offices and zip code)

(312) 583-8700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$0.01 per share

Name of each exchange on which registered
The NASDAQ Stock Market, Inc.

(NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. ☒

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ x

Accelerated filer ☐ "

Non-accelerated filer ☐ "

Smaller reporting company ☐ "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ " No ☒ x

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2007 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$1,259,800,000.

As of February 8, 2008, 18,743,433 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

Documents Incorporated By Reference

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of its fiscal year are incorporated by reference into Part III of this annual report on Form 10-K.

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HURON CONSULTING GROUP INC.

ANNUAL REPORT ON FORM 10-K

FOR FISCAL YEAR ENDED DECEMBER 31, 2007

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In this annual report on Form 10-K, unless the context otherwise requires, the terms Huron, company, we, us and our refer to Huron Consulting Group Inc. and its subsidiaries.

This annual report on Form 10-K, including the information incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are identified by words such as may, should, expects, plans, anticipates, believes, estimates or continues or negative of such terms or other comparable terminology. These forward-looking statements reflect our current expectation about our future results, levels of activity, performance or achievements, including, without limitation, that our business continues to grow at the current expectations with respect to, among other factors, utilization rates, billing rates and number of revenue-generating professionals; that we are able to expand our service offerings; that we successfully integrate the businesses we acquire; and that existing market conditions do not change from current expectations. These statements involve known and unknown risks, uncertainties and other factors, including, among others, those described under Item 1A. Risk Factors, that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

PART I

ITEM 1. BUSINESS.

OVERVIEW

We are an independent provider of financial and operational consulting services. Our highly experienced professionals, many of whom have master's degrees in business administration, have doctorates in economics, are certified public accountants, or are accredited valuation specialists and forensic accountants, employ their expertise in accounting, finance, economics and operations to provide our clients with specialized analyses and customized advice and solutions that are tailored to address each client's particular challenges and opportunities.

Huron was formed in March 2002 and commenced operations in May 2002. We were founded by a core group of experienced financial and operational consultants that consisted primarily of former Arthur Andersen LLP partners and professionals, including our Chief Executive Officer, Gary E. Holdren, with equity sponsorship from a group of investors led by Lake Capital Management LLC. In October 2004, we completed our initial public offering and became a publicly traded company.

From the date of our initial public offering through December 31, 2007, we completed the following acquisitions:

In May 2005, we acquired Speltz & Weis LLC (Speltz & Weis, renamed in 2007 to Wellspring Management Services LLC), a specialized consulting firm that provides interim management and crisis management services to healthcare facilities. Speltz & Weis helps hospitals and other healthcare facilities improve their financial, operational and market performance through organizational renewal. With this acquisition, we began to provide full-service offerings to distressed hospitals and

other healthcare facilities.

In April 2006, we acquired MSGalt & Company, LLC (Galt), a specialized advisory firm that designs and implements corporate-wide programs to improve shareholder returns. With the acquisition of Galt, we expanded our value and service offerings to the offices of the chief executive officer and boards of Fortune 500 companies.

In July 2006, we acquired Document Review Consulting Services LLC (DRCS), a consulting firm that provides comprehensive document review using experienced contract reviewers. Also in July 2006, we acquired Aaxis Technologies Inc. (Aaxis). Aaxis provides full-service electronic data discovery support to litigation teams and corporate counsel with a focus on forensics and data gathering, end-to-end data processing, and information consulting. The acquisitions of DRCS and Aaxis enhanced our service offerings to the offices of the general counsel and law firms by helping them manage digital information in a comprehensive manner during litigation, investigations, mergers and acquisitions, and other major transactions.

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In January 2007, we acquired Wellspring Partners LTD (Wellspring), a management consulting firm specializing in integrated performance improvement services for hospitals and health systems. With the acquisition of Wellspring, we expanded our national presence in the healthcare provider sector and now provide a full complement of services to a wide spectrum of hospitals and multi-hospital systems.

Also in January 2007, we acquired Glass & Associates, Inc. (Glass), a turnaround and restructuring consulting firm that provides advice and leadership to troubled businesses in the United States and Europe. With the acquisition of Glass, we expanded our position in the consulting and restructuring marketplace, as well as expanded our interim management capabilities to distressed companies in industries beyond healthcare.

In July 2007, we acquired Callaway Partners, LLC (Callaway), a professional services firm that specializes in finance and accounting projects, financial reporting, internal audit and controls, and corporate tax solutions. With Callaway's extensive senior consultant and project management skills, along with its variable, on-demand workforce, we are better positioned to assist our clients with their accounting and corporate compliance challenges.

We have grown significantly since we commenced operations, increasing the number of our full-time revenue-generating professionals from 213 as of May 31, 2002 to 1,281 as of December 31, 2007 through hiring and acquisitions of complementary businesses. We have hired experienced professionals from a variety of organizations, including the four largest public accounting firms, referred to as the Big Four, and other consulting firms. As of December 31, 2007, we had 163 managing directors who have revenue-generating responsibilities. These individuals have an average of 22 years of business experience. In addition to our headquarters in Chicago, we have other offices located in Atlanta, Boston, Charlotte, Dallas, Detroit, Houston, Los Angeles, New York City, San Francisco, Tokyo and Washington D.C. We also have four document review centers located in Houston, Texas, Miramar, Florida, Morrisville, North Carolina and Rock Hill, South Carolina.

OUR SERVICES

We are an independent provider of consulting services. We help clients effectively address complex challenges that arise in litigation, disputes, investigations, regulatory compliance, procurement, financial distress, and other sources of significant conflict or change. We also help our clients deliver superior customer and capital market performance through integrated strategic, operational, and organizational change.

Historically, we provided our services through two operating segments: Financial Consulting and Operational Consulting. In response to our continued growth and acquisitions of complementary businesses, effective January 1, 2007, we reorganized our practice areas and service lines to better meet market demands and serve our clients. Under our current organizational structure, we manage our business under four operating segments: Financial Consulting, Legal Consulting, Health and Education Consulting, and Corporate Consulting. For the year ended December 31, 2007, we derived 30.9%, 17.8%, 36.0% and 15.3% of our revenues from Financial Consulting, Legal Consulting, Health and Education Consulting and Corporate Consulting, respectively. For further financial information on our segment results, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and note 16. Segment Information in the notes to consolidated financial statements included elsewhere in this annual report on Form 10-K.

Financial Consulting

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Our Financial Consulting segment assists corporations with complex accounting and financial reporting matters, financial analysis in business disputes and litigation, as well as valuation analysis related to business acquisitions. This segment also consults with management in the areas of corporate governance, Sarbanes-Oxley compliance, internal audit, and corporate tax. Additionally, the Financial Consulting segment provides experienced, project leadership and credentialed on-demand resources to assist clients with finance and accounting projects. This segment is comprised of certified public accountants, economists, certified fraud examiners, chartered financial analysts and valuation experts who serve attorneys and corporations as expert witnesses and consultants in connection with business disputes, as well as in regulatory or internal investigations. This segment's practices and the services they offer include:

Disputes and investigations. Our disputes and investigations practice provides financial analyses to support law firms and corporations in connection with business disputes, lawsuits, and regulatory or internal investigations. We have extensive experience in the areas of financial investigations and forensic

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accounting, including matters involving the United States Securities and Exchange Commission (SEC) or other regulatory inquiries or investigations, financial restatements, and special accounting projects. We provide specialized accounting services to gather and analyze voluminous financial data and reconstruct complex transactions and events.

Economic consulting. Our economic consulting practice works with clients to provide economic and statistical analyses in situations that arise in connection with litigation, regulatory hearings, complex transactions, bankruptcy, and public policy issues. Our economic consulting group also provides economic-value-driven strategic advice that combines the highly complementary disciplines of economics, accounting, and finance. Our team includes consultants with doctorates in economics and leading academics who perform event studies, sales and claims forecasting, economic damages calculations, policy analysis, and compliance studies.

Valuation. Our valuation practice delivers expert valuation analyses to clients and their advisors. We perform valuations of businesses, financial interests, intellectual property, real property, machinery and equipment, and other tangible and intangible assets. Our valuation group typically supports client needs in the following contexts:

Transactions: supporting clients' financial and tax reporting, especially in the context of acquisitions and other corporate transactions;

Litigation or disputes: valuing businesses or assets; and

Bankruptcies: supporting the restructuring process or the sale of business assets.

Corporate governance. Our corporate governance practice possesses the thought leadership, methodologies, tools, and experience needed to provide optimal solutions to our clients in the areas of enterprise risk management, internal audit, and Sarbanes-Oxley compliance. We help clients identify and document business risks across their organization, linking them to processes and sub-processes, and evaluating the related controls on an ongoing basis.

Tax compliance. Our tax compliance practice consists of an experienced team of senior tax professionals who direct, manage, or support the ever-changing corporate tax compliance and reporting requirements. We also work with external auditors to effectively meet SEC filing requirements and IRS filing deadlines.

Legal Consulting

Our Legal Consulting segment provides guidance and business services to address the challenges that confront today's legal organizations. These services add value to corporate law departments, law firms, and government agencies by helping to reduce legal spending, enhance client service delivery, and increase operational effectiveness. This segment provides measurable results in the areas of digital evidence and discovery services, document review, law firm management services, records management, and strategic and operational improvements. This segment's practices and the services they offer include:

Legal consulting. Our legal consulting practice helps both in-house legal departments and outside counsel enhance the quality of legal services while reducing costs by more efficiently aligning strategy, people, processes, and technology. We

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provide strategic advice to help legal departments and law firms improve their organizational design and business processes, and to help management in their use of outside counsel. We also have extensive experience in selecting, customizing, and successfully rolling out engagement management systems and electronic billing systems that help legal departments track and manage lawsuits and other legal matters. These systems are powerful tools for managing budgets, spending, and resources. We provide similar services for document management systems and patent management applications.

Electronic discovery and records management. We work with corporations and law firms to provide solutions to enhance their discovery process management and electronic discovery needs. One area of emphasis is helping clients choose and implement technology solutions that improve legal department

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operations. We provide a full array of digital evidence, discovery, and records management services that include discovery process execution, electronic discovery services, computer forensics, data management, document processing, document review, records program development, records improvement planning and process, and program management, all aimed at reducing costs, coordinating matters and people, streamlining processes and reducing risks.

Health and Education Consulting

Our Health and Education Consulting segment provides consulting services to hospitals, health systems, physicians, managed care organizations, academic medical centers, colleges, universities, and pharmaceutical and medical device manufacturers. This segment's professionals develop and implement solutions to help clients address financial management, strategy, operational and organizational effectiveness, research administration, and regulatory compliance. This segment also provides consulting services related to hospital or healthcare organization performance improvement, turnarounds, merger or affiliation strategies, labor productivity, non-labor cost management, information technology, revenue cycle improvement, physician practice management, interim management, clinical quality and medical management, and governance and board development. This segment's practices and the services they offer include:

Pharmaceutical and health plans. Our pharmaceutical and health plans practice focuses on operational, compliance, and government contracting issues related to federal healthcare programs. We assist the health insurance industry to navigate and respond to a wide array of business matters and compliance requirements that arise within the industry and from contracting relationships with the federal government. Our services include federal healthcare contract consulting, medical cost containment, operational and financial advisory services, and regulatory and contract compliance services. We help pharmaceutical and medical device manufacturers optimize performance, improve operations, mitigate risk, manage compliance, and support counsel in regulatory investigations. Our services include government price reporting and commercial contracting, medical affairs and clinical activities, regulatory compliance, off-label communication, and sales and marketing compliance.

Healthcare. Our Healthcare practice helps healthcare providers and payors effectively address their strategic, operational, management and financial challenges. We help hospitals, physicians and other healthcare providers improve operations by performing assessments and implementing solutions designed to reduce costs and increase effectiveness. Our engagements typically focus on revenue cycle and cash acceleration, supply chain improvements, strategic growth and planning, financial planning and physician/ancillary services.

Higher education. Our higher education practice provides operational consulting services to colleges, universities, hospitals, and academic medical centers. We have worked with the majority of the largest research institutions in the U.S. to develop and implement solutions in a manner consistent with each institution's unique culture. Our professionals have worked on engagements that have provided us substantial understanding of the issues facing higher education and healthcare institutions. We provide high-quality consulting services designed to address our clients' most pressing issues in the areas of research administration, regulatory compliance, clinical research, technology planning and implementation, and financial management and strategy.

Corporate Consulting

Our Corporate Consulting segment leads clients through various stages of transformation that result in measurable and sustainable performance improvement. This segment works with clients to solve complex business problems and implements strategies and solutions to effectively address and manage stagnant or declining stock price, acquisitions and divestitures, process inefficiency,

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third-party contracting difficulties, lack of or misaligned performance measurements, margin and cost pressures, performance issues, bank defaults, covenant violations, and liquidity issues. This segment's practices and the services they offer include:

Restructuring and turnaround. Our restructuring and turnaround practice provides consulting assistance to financially distressed companies, creditor constituencies, and other stakeholders in connection with out-of-court restructurings and bankruptcy proceedings. For companies in financial distress, we work with management to assess the viability of their business, to develop and implement a turnaround plan to improve cash flow, and to implement a debt-restructuring plan to improve the balance sheet. In some instances, we serve in interim management roles. When out-of-court solutions are not achievable, we

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assist clients in preparing for Chapter 11 bankruptcy filings and with all aspects of the bankruptcy process by gathering, analyzing, and presenting financial and business information needed to achieve successful reorganizations. We also provide claims management services to help companies process and analyze complex and voluminous claims filed in bankruptcies and related litigation matters.

Galt & Company. Our strategy practice focuses exclusively on helping well-managed companies deliver superior shareholder returns. Galt works with management to develop the strategies and organizational capabilities that accelerate profitable growth and improve shareholder value. In effect, Galt brings the discipline of the capital markets inside an organization, building the capabilities to effectively manage growth and maximize shareholder value.

OUR CLIENTS

We provide consulting services to a wide variety of both financially sound and distressed organizations, including Fortune 500 companies, medium-sized businesses, leading academic institutions, healthcare organizations, and the law firms that represent these various organizations. Our clients are in a broad array of industries, including education, professional services, transportation services, healthcare, telecommunications, financial services, electronics, consumer products, energy and utilities, industrial manufacturing, and food and beverage. Since commencing operations in May 2002, we have conducted over 5,300 engagements for over 2,400 clients, and we have worked on engagements with all of the 50 largest U.S. law firms listed in The American Lawyer 2007 Am Law 100. Our top ten clients represented approximately 26.1%, 31.2% and 38.3% of our revenues in the years ended December 31, 2007, 2006 and 2005, respectively. No single client accounted for more than 10% of our revenues in 2007. Revenues from one client represented 10.2% of our revenues in 2006. Revenues from another client represented 11.1% of our revenues in 2005. The following are examples of engagements that we have performed for our clients.

Financial Consulting

Practice	Client Need	Huron Solution
Disputes and investigations	Assist legal counsel representing a major retail company with analyzing various accounting and disclosure issues that were raised in an investigation by the SEC.	<p>Ø Forensic accounting experts conducted in-depth financial analyses of accounting records and analyzed issues such as compliance with debt covenants, warranty arrangements, accrual calculation methodology, lease accounting, and financial statement disclosures.</p> <p>Ø Provided client with electronic discovery, computer forensics, and data preservation services.</p>
	Assist legal counsel for a debtor estate and unsecured creditors committee with financial and economic analyses related to litigation	<p>Ø Assisted the client in presentation of facts and investigation findings to the SEC.</p> <p>Ø Synthesized large volumes of financial data and other documents and performed solvency tests of the subsidiary.</p>

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involving breach of
fiduciary duty by a
parent company.

ØCalculated damages arising from the termination of funding by the
parent company based on valuations of the company under various
scenarios.

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Practice	Client Need	Huron Solution
Economic consulting	Assist legal counsel representing a major investment servicing and management company facing multiple lawsuits and government inquiries, as well as client questions concerning the nature and extent of investments made in sophisticated mortgage-backed securities that performed poorly during the recent credit crisis in the summer and fall of 2007.	<p>Ø Performed a detailed review and analysis of daily security holdings and client transactions for dozens of company funds.</p> <p>Ø Assisted the company in the presentation of facts and findings to the company's clients, insurers, and government regulators.</p>
Valuation	Value intangible assets, including international route authorities, take-off and landing rights, tradenames and trademarks, and customer relationships for an international airline operating under Chapter 11 protection.	<p>Ø Estimated the liquidation value of the intangible assets for hypothetical liquidation analysis, which was filed as part of the company's plan of reorganization filed with the bankruptcy court.</p> <p>Ø Estimated the fair value and remaining economic life of the intangible assets in accordance with generally accepted accounting principles for financial reporting purposes.</p> <p>Ø Assisted management in the preparation of its annual impairment test for indefinite-lived assets.</p>
Corporate Governance	Assist an international financial services group to pursue compliance with rules promulgated by the National Association of Insurance Commissioners.	<p>Ø Performed top down risk assessments; prepared narratives and process flows for key controls; identified gaps and created test scripts.</p> <p>Ø Documented entity level controls and general computer and information technology controls.</p>

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Legal Consulting

Practice

Electronic discovery and records management

Client Need

Develop and implement a practical solution for the management and control of e-mails at a global chemical company to reduce storage costs, improve system performance, and ensure the retention of e-mails in accordance with multiple country records retention requirements.

Huron Solution

Ø Obtained records retention regulation information relevant to countries in North America, Europe and Asia.

Ø Updated client records retention schedules in accordance with business and regulatory requirements.

Ø Developed enterprise electronic information management strategy, policy and standards.

Ø Developed technical, legal/regulatory and user specifications for e-mail management system.

Ø Provided expertise for the development of a request for proposal and test scripts for software selection.

Ø Conducted proof of concept testing on selected software tool to ensure technical compatibility with client IT infrastructure and ensure required level of risk and regulatory functionality.

Ø Conducted full production pilot with a representative sample of client end users to ensure email solution met the ease of use acceptance criteria.

Ø Provided technical expertise for training and change management process used for company-wide rollout of the system.
Ø Conducted user requirements gathering sessions across the world.

Ø Developed a global requirements document for the complete technology platform solution.

Electronic discovery and records management

Assist a Europe-based global energy company in the implementation of a new law department global technology platform consisting of matter management, spend management, and document

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management. Led the requirements gathering, process re-engineering and design efforts, as well as other implementation tasks.

ØDesigned the global matter management system, document management system, and spend management system.

ØCreated policies and procedures for the law department.

Legal consulting

Assist the law department of a major oil and gas company in cost-saving initiatives.

ØDeveloped change management process for rollout of the system.
Ø Implemented a matter management system involving the merging of processes and data from two legacy law departments. The department focused on system design, conversion mapping, system testing, rollout and implementation of matter management, electronic billing, and legal liability accrual management.

ØCreated an in-house document discovery process and capability that is supplemented as needed by outside contract resources for peak demand. These initiatives resulted in substantial cost savings and created a strong foundation for future endeavors.

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Practice	Client Need	Huron Solution
Electronic discovery and records management	Provide project management and comprehensive document review services for a multinational company with more than 6 million pages that had to be produced to the opposing party in a condensed timeframe.	<p>Ø Worked with outside counsel to develop a work flow for the processing, review, and production of responsive, non-privileged documents.</p> <p>Ø Conducted the review at Huron's customized review facilities, using more than 150 review professionals working around the clock.</p> <p>Ø Redacted confidential information from responsive documents.</p> <p>Ø Managed the production of documents to opposing counsel.</p>

Health and Education Consulting

Practice	Client Need	Huron Solution
Pharmaceutical and health plans	Improve financial performance.	<p>Ø Analyzed two years of claims data using internal and external data sources.</p> <p>Ø Identified more than \$12 million in claim overpayments, which the client was able to recover and improve bottom line performance.</p> <p>Ø Assisted a consortium of health plans bid and ultimately win a \$10 billion TRICARE contract from the Department of Defense.</p> <p>Ø Served as the Independent Review Organization (IRO) to pharmaceutical manufacturers with recent CIAs. Developed and performed transaction testing procedures to test Sales and Medical Affairs activities involving dissemination of off-label information about FDA-approved products.</p>
Healthcare	<p>Win government business.</p> <p>Assist meeting the requirements of a Corporate Integrity Agreement (CIA).</p> <p>Improvement of operational and financial performance of a medical center that was facing a fiscal year loss of \$25 million.</p>	<p>Ø Performed a comprehensive assessment and implementation of all areas of performance improvement, including labor cost reduction, non-labor strategies, revenue cycle improvements, cash acceleration, net revenue enhancements, and debt restructuring.</p> <p>Ø Achieved a \$21.2 million decrease in operating loss, including \$17.0 million in revenue improvement and \$4.2 million in expense reductions.</p>

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Practice	Client Need	Huron Solution
Higher education	Assess and identify the economic impact of a leading university on the immediate region and state; deliver strategic recommendations to the university to optimize future impact and improve competitive position.	<p>Ø Identified the economic impact that the university has had on the state and regional economies.</p> <p>Ø Outlined the key factors that have enabled other research institutions and regions to be leading economic performers.</p> <p>Ø Reviewed the unique circumstances that exist in the state that relate to future economic development in a technology-based global economy.</p> <p>Ø Identified issues and constraints, including structural and policy areas, which were impeding the ability of the university to compete with peer institutions and serve as a key driver of high-end economic development.</p> <p>Ø Identified strategies and recommendations to enhance the university's contribution to the future growth and development of the state's and region's economies, including:</p> <ul style="list-style-type: none"> • Expansion of a vibrant research enterprise, • Improved access to intellectual capital, • Creation of new private-public partnerships and joint ventures, and • Expansion of an infrastructure primed to anticipate and react immediately to market changes; to make investments to get to the market first; and to ultimately increase economic growth.

Corporate Consulting

Restructuring and turnaround	As a result of a liquidity crisis and an ongoing investigation of the owner by	Ø Served as chief restructuring officer and treasurer to protect the companies from further harm, filed for Chapter 11 bankruptcy protection, marshaled the entities' assets, and cooperated with the investigating authorities.
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authorities,
replacement
management is
needed to take
control of real estate
and tax transaction
related businesses.

Ø Stabilized the businesses, preserved the integrity of business records, addressed customer issues, and began the forensic investigation into where the money went.

Ø Despite the lack of available funding, Huron worked with numerous customers to complete transactions and address customer issues to minimize losses and claims.

Ø Worked with counsel and the Unsecured Creditors Committee to pursue a fast track refinancing plan; when the principal failed to carry through in connection with the refinancing, Huron and the Committee obtained a turnover of all interests in other assets and businesses from the principal avoiding protracted and costly litigation.

Ø Transitioned the cases to a Chapter 11 trustee and continued to provide necessary support as the trustee pursues collection of the interests related to the asset turnover agreement.

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Galt & Company	Help client achieve and sustain superior shareholder value growth over time.	<p>Ø Worked with client management to:</p> <ul style="list-style-type: none"> • Establish agreement with a clear definition of winning and implement financial goals and measures consistent with success in both the customer and capital markets, • Deepen understanding of sources and drivers of shareholder value growth by recognizing where and why profitable growth will be concentrated, • Establish an explicit and ongoing value growth agenda, focusing on the 5-10 key priorities that will drive shareholder value growth, • Develop and deploy differentiated business models and reallocate resources to gain a disproportionate share of market profitability, and • Enhance management decision standards, processes and capabilities to sustain the improvements and identify and capture future value growth opportunities.
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INDUSTRY BACKGROUND

We believe many organizations are facing increasingly large and complex business disputes and lawsuits, a growing number of regulatory and internal investigations and more intense public scrutiny. Concurrently, we believe increased competition and regulation are presenting significant operational and financial challenges for organizations. Distressed companies are responding to these challenges by restructuring and reorganizing their businesses and capital structures, while financially healthy organizations are striving to capitalize on opportunities by improving operations, reducing costs and enhancing revenue. Many organizations have limited dedicated resources to respond effectively to these challenges and opportunities. Consequently, we believe these organizations will increasingly seek to augment their internal resources with experienced independent consultants like us. We believe the demand for our services is driven by the following factors:

SEC and internal investigations. The increased scrutiny of accounting practices, internal controls, and financial disclosures has contributed to a large number of financial restatements by public companies. According to Glass Lewis & Co., an institutional investor advisory firm, companies with U.S.-listed securities filed 1,538 financial restatements in 2006, up 13% from what had been a record number in 2005. Further, about one out of every ten public companies filed a restatement in 2006, compared with one for every twelve in 2005. In response to a number of recent incidences of corporate malfeasance and accounting irregularities, the SEC has conducted an increasing number of public company investigations over the past few years. In fiscal year 2007, the SEC initiated 776 investigations, 262 civil actions, and 394 administrative proceedings covering a wide range of issues, including financial fraud, abusive backdating of stock options,

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insider trading, violations by broker-dealers, and fraud related to mutual funds. For fiscal 2009, the President's budget request for the SEC is \$914 million, compared to the \$905 million funding level for 2008. The budget for the SEC enforcement division, which has opened three dozen subprime mortgage related cases, would rise \$3 million to a total of \$318 million if the budget is adopted as proposed. In addition, an increasing number of boards of directors, audit committees and special independent committees of companies that have had to review their historical financials or respond to complaints by whistleblowers have conducted internal forensic investigations to determine the underlying facts. These dynamics have driven demand for independent financial consultants like us who help clients respond to SEC investigations, evaluate restatements of financial statements and support internal investigations by combining investigative accounting and financial reporting skills with business and practical experience.

Healthcare investigations. As healthcare expenditures continue to grow in the United States, the industry faces greater pressure to reduce healthcare spending, particularly as it relates to publicly funded programs. The pressure to stem the tide of cost growth has resulted in a significant increase in investigations driven by whistleblowers, government audits, and individual complaints. The Department of

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Health and Human Services Office of Inspector General reported total fiscal year 2007 savings and expected recoveries of \$43 billion, \$5 billion more than the year before and more than double the savings and recoveries of just five years ago. Often times, these government investigations lead to follow-on class action lawsuits by commercial payors.

Litigation and disputes. Litigation and business disputes are prevalent in the United States and, we believe, the volume of this activity does not necessarily correlate with the economic cycle. The breadth and magnitude of these matters is increasing. For example, antitrust investigation and enforcement activities by federal, state and local authorities present heightened complexities and risks for companies in the areas of mergers and acquisitions, pricing policies, distribution relationships and patent and intellectual property matters. In addition, private parties can bring antitrust claims asserting a variety of violations. In its *Third Annual Litigation Trends Survey*, Fulbright & Jaworski L.L.P. polled 422 in-house law departments worldwide and found that for U.S. companies with \$1 billion or more in annual revenues, the number of lawsuits soared to 556 cases, with almost half facing 50 new suits annually. Further, these companies spent an annual average of \$31.5 million on all their legal matters. In complex litigation and disputes, organizations and the law firms that represent them regularly engage experienced consultants to provide or support expert testimony or perform data analyses involving financial, economic and accounting issues.

Sarbanes-Oxley and stockholder activism. The enactment of the Sarbanes-Oxley Act of 2002 has substantially limited the scope of non-audit services that large public accounting firms, such as the Big Four, can provide to their audit clients. These limitations represent a significant opportunity for independent consulting firms. Further, certain influential institutional investors, citing concerns over perceived conflicts of interest, have opposed the ratification of auditors and the election of directors of companies that engage their auditors to perform permissible non-audit services. The restrictions of Sarbanes-Oxley, stockholder opposition to auditors performing consulting services for their audit clients, and the relatively small number of large public accounting firms has led many clients to choose independent consulting firms over the Big Four when seeking providers of various consulting services.

Operational challenges and opportunities. Organizations must constantly re-evaluate business processes in order to manage change and risk, and minimize or recover costs. For example, in the healthcare industry, the steady flow of changes that affect healthcare funding, treatments, delivery and administration increase the difficulty in managing a complex mix of factors, including rising healthcare costs and insurance premiums and the increasing number of uninsured citizens. In the higher education industry, research universities and academic medical centers must develop and maintain programs to effectively manage research compliance risks and implement systems that support the recovery of research costs. Additionally, the difficulties of managing a large number of legal matters prompted in-house legal departments to seek ways to improve their efficiency and effectiveness, which drives the demand for consultants specializing in legal department operations. The changes to the Federal Rules of Civil Procedure and the interpretation and adoption by the states of the Civil Procedure rules have compelled corporations and their outside counsel to be in command of their obligations in responding to discovery much earlier in the process. The demand for consultants to assist them with the technical, business and process challenges associated with the new rules and electronic discovery has never been greater. In general, a variety of organizations seek to improve their procurement efficiencies, improve operational processes and reduce costs. We believe that in seeking to meet these challenges and capitalize on these opportunities, organizations will increasingly augment their internal resources with consultants who can provide a combination of industry expertise and strong technical skills.

Merger and acquisition activity. Despite depressed levels in recent years, there was a rebound in mergers and acquisitions activity, or M&A, in the marketplace. According to *Mergers & Acquisitions Insights*, published by Piper Jaffray & Company, despite the credit crunch that has curtailed dealmaking for large buyouts since mid-2007, M&A activity in the U.S. continues to be strong. Through the first nine months of 2007, M&A activity, as measured by the number of transactions with U.S. targets, increased 7% over the same period in 2006. Further, the total value of 2007 transactions through the third quarter of 2007 was \$1.11 trillion, 30% more than the \$857 billion in transaction value over the same period in 2006. Over the past ten years, the number of transactions has averaged approximately 8,750 per year with a

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combined average annual value of approximately \$1.08 trillion. Annual transaction value in 2007 is projected to greatly exceed the 10-year average. We believe M&A activity creates demand for financial consulting services, such as purchase price allocations and other similar valuation services and dispute and litigation services, as well as operational consulting services, such as merger integration, margin improvement and strategic sourcing.

Financial distress. Despite the decline in corporate bankruptcy filings, we believe there will continue to be a sufficient number of bankruptcies of the size and complexity that typically require debtors and other constituents to retain the services of financial advisors. Additionally, there is an ongoing need for restructuring and turnaround consulting services to assist financially distressed, under-performing and debt-laden companies and their stakeholders outside of the bankruptcy process. Further, the subprime mortgage world is under tremendous pressure. In March of 2006, the Mortgage Bankers Association announced that 13 percent of subprime loans are delinquent and greater than two percent of subprime loans had foreclosure proceedings launched in the fourth quarter of 2005 alone. The recent news surrounding improperly managed subprime mortgages, which has in some cases forced bankruptcy, requires that companies carefully evaluate risks immediately to determine an appropriate course of action. We believe that subprime lenders in particular, and many lenders in general, will need to modify their lending strategy in this fast changing market to appropriately consider the risks of a borrower's ability to repay their loans.

Strategy. According to Kennedy Information, a leading source of research reports, analysis and trends for the consulting marketplace, the client drive for profitable growth and the traction for newer services have placed strategy back at the forefront of clients' minds. In recent years, strategy consulting returned to strong growth after a sharp depression in 2003. Kennedy expects the strategy market to continue to be strong in the upcoming years and to maintain a growth trajectory between 5% and 10% going forward. Strategy consulting is expected to grow faster than the overall management consulting market, outpacing the growth of operations management, information technology, and human resources consulting service lines.

EMPLOYEES

Our ability to bring the right expertise together to address client issues requires a willingness to work and think outside the bounds of a single practice or specialty. Our success depends on our ability to attract and retain highly talented professionals by creating a work environment where both individuals and teams thrive and individuals are rewarded not only for their own contributions but also for the success of our organization as a whole. To accomplish those goals and recognize performance, we have adopted a comprehensive rewards program incorporating compensation, training and development opportunities, performance management and special recognition plans that motivates individual performance and promotes teamwork.

As of December 31, 2007, we had 1,600 full-time employees, consisting of 1,281 full-time revenue-generating professionals and 319 non-revenue-generating professionals. The 1,281 revenue-generating professionals consisted of 163 managing directors and 1,118 directors, managers, associates, analysts and assistants. Many of these individuals have master's degrees in business administration, have doctorates in economics, are certified public accountants, or are accredited valuation specialists and forensic accountants. Our revenue-generating managing directors serve clients as advisors and engagement team leaders, originate revenue through new and existing client relationships, and work to strengthen our intellectual capital, develop our people and enhance our reputation. Our directors and managers manage day-to-day client relationships and oversee the delivery and overall quality of our work product. Our associates and analysts gather and organize data, conduct detailed analyses and prepare presentations that synthesize and distill information to support recommendations we deliver to clients.

Our 319 non-revenue-generating professionals at December 31, 2007 consisted of 19 managing directors and 300 directors, managers, associates, analysts and assistants. Our non-revenue-generating professionals include our senior management team,

senior client relationship managers, and finance, human resources, information technology, legal and marketing personnel.

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In addition to our full-time professionals, we have a roster of highly-credentialed variable, on-demand consultants and contract reviewers. We utilize these variable resources extensively, particularly within our Financial Consulting and Legal Consulting segments.

We assimilate and support employees in their career progression through training and development programs. We have structured orientation and training programs for new analysts, milestone programs to help recently promoted employees quickly become effective in their new roles, and opportunities for self-directed training, including both on-line and live technical and consulting courses. We also support the pursuit and ongoing maintenance of many certifications. Employees are assigned internal performance coaches to identify opportunities for development, formal training or certifications.

Our compensation plan includes competitive base salary, incentives and benefits. Under our incentive plan, directors, managers, associates and analysts set goals each year with a performance coach. These goals are aligned with our business goals as well as individual interests and development needs. Managing directors set goals with their practice leader using a balanced scorecard. The incentive plan balances our value of teamwork with recognition of individual performance, and incentive compensation is tied to both team and individual performance. Incentives for managing directors are based on their individual performance and their contribution to their practice and to our business as a whole. Funding of the incentive pool is based on our achievement of annual financial goals and each practice's achievement of its financial goals. In addition, managing directors may receive long-term equity incentives.

BUSINESS DEVELOPMENT AND MARKETING

Our business development activities aim to build relationships and a strong brand reputation with key sources of business and referrals, especially top-tier law firms and the offices of the chief executive officer, chief financial officer, and general counsel of organizations. We believe that excellent service delivery to clients is critical to building relationships and our brand reputation, and we emphasize the importance of client service to all of our employees.